



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

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Auditor of State

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**NEWS RELEASE**

FOR RELEASE

December 31, 2018

Contact: Andy Nielsen  
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Adel, Iowa.

The City's receipts totaled \$10,837,271 for the year ended June 30, 2018, a 3.6% increase over the prior year. The receipts included \$1,856,321 in property tax, \$633,628 from tax increment financing, \$3,556,432 from charges for service, \$728,013 from operating grants, contributions and restricted interest, \$476,425 from local option sales and services tax, \$3,527,753 from note proceeds, \$31,942 from unrestricted interest on investments and \$26,757 from other general receipts.

Disbursements for the year ended June 30, 2018 totaled \$11,405,872, a 43.7% increase over the prior year, and included \$1,301,061 for capital projects, \$1,153,014 for public safety and \$992,771 for debt service. Also, disbursements for business type activities totaled \$6,148,687.

The increase in receipts and disbursements is due to note proceeds received to fund water and sewer improvement projects.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <https://auditor.iowa.gov/reports/audit-reports/>.

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**CITY OF ADEL**

**INDEPENDENT AUDITOR'S REPORTS**  
**BASIC FINANCIAL STATEMENTS**  
**SUPPLEMENTARY AND OTHER INFORMATION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**JUNE 30, 2018**

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**City of Adel**

**Officials**

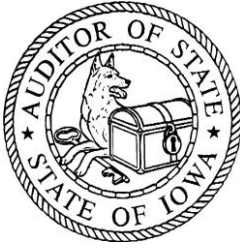
**(Before January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2018
Jon McAvoy	Mayor Pro tem	Jan 2018
Rebecca Hillmer	Council Member	Jan 2018
Michael Haynes	Council Member	Jan 2020
Shirley McAdon	Council Member	Jan 2020
Bob Ockerman	Council Member	Jan 2020
Anthony Brown	Administrator	Indefinite
Jackie Steele	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
John Reich	Attorney	Indefinite

**(After January 2018)**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
James F. Peters	Mayor	Jan 2020
Shirley McAdon	Mayor Pro tem	Jan 2020
Michael Haynes	Council Member	(Resigned Jun 2018)
Dan Miller (Appointed Jul 2018)	Council Member	Nov 2019
Bob Ockerman	Council Member	Jan 2020
Rob Christensen	Council Member	Jan 2022
Jodi Selby	Council Member	Jan 2022
Anthony Brown	Administrator	Indefinite
Jackie Steele	City Clerk	Indefinite
Brittany Sandquist	Finance Director	Indefinite
Kristine Stone	Attorney	Indefinite

**City of Adel**



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Independent Auditor's Report

To the Honorable Mayor and Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel as of June 30, 2018, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

## Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

## Emphasis of a Matter

As discussed in Note 5 to the financial statements, the City of Adel adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. Our opinions are not modified with respect to this matter.

## Other Matters

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Adel's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the seven years ended June 30, 2017 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The financial statements for the two years ended June 30, 2010 (which are not presented herein) were audited by another auditor who expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.


The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 8 through 14 and 40 through 46, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2018 on our consideration of the City of Adel's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on effectiveness of the City's the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Adel's internal control over financial reporting and compliance.

  
MARY MOSIMAN, CPA  
Auditor of State

December 17, 2018

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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The City of Adel provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2018. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

### **2018 FINANCIAL HIGHLIGHTS**

- Receipts of the City's governmental activities decreased 43.7%, or approximately \$3,725,000, from fiscal year 2017 to fiscal year 2018. In fiscal year 2017, \$3,998,292 of note proceeds were received. There were no similar proceeds in fiscal year 2018 for governmental activities.
- Disbursements of the City's governmental activities decreased 12.4%, or approximately \$743,000, from fiscal year 2017 to fiscal year 2018. Debt service function disbursements decreased approximately \$2,059,000 due to the City paying off its series 2011A general obligation capital loan notes during fiscal year 2017.
- The City's total cash basis net position decreased approximately \$568,000 from June 30, 2017 to June 30, 2018. Of this amount, the cash basis net position of the governmental activities decreased approximately \$550,000 and the cash basis net position of the business type activities decreased approximately \$18,000.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds, the individual Internal Service Funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

## **BASIS OF ACCOUNTING**

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

## **REPORTING THE CITY'S FINANCIAL ACTIVITIES**

### *Government-wide Financial Statement*

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, garbage/recycling and storm water utilities. These activities are financed primarily by user charges.

### *Fund Financial Statements*

The City has three kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, Urban Renewal Tax Increment and Local Sales and Services Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 2) Proprietary funds account for the City's Enterprise Funds and its Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the Water, Sewer, Garbage/Recycling and Storm Water Funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

- 3) Fiduciary funds account for resources held for others. The Fiduciary Funds consists of Agency, Oakdale Pride, Library Friends/Foundation, Historic Preservation Plaques and Rotary Bike Rack Funds.

The required financial statement for the fiduciary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

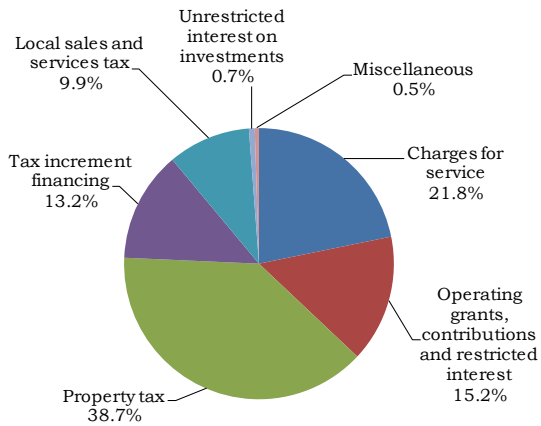
Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

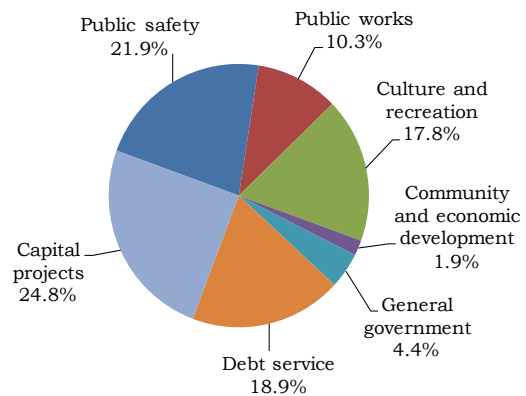
Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from a balance of approximately \$3,692,000 to approximately \$3,142,000. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

Changes in Cash Basis Net Position of Governmental Activities		
(Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service	\$ 1,044	878
Operating grants, contributions and restricted interest	728	675
General receipts:		
Property tax	1,856	1,776
Tax increment financing	634	642
Local sales and services tax	476	540
Unrestricted interest on investments	32	11
Miscellaneous	25	-
Note proceeds	-	3,998
Total receipts	4,795	8,520
Disbursements:		
Public safety	1,153	1,060
Public works	544	473
Culture and recreation	937	904
Community and economic development	100	91
General government	229	328
Debt service	993	3,052
Capital projects	1,301	92
Total disbursements	5,257	6,000
Change in cash basis net position before transfers	(462)	2,520
Transfers, net	(88)	175
Change in cash basis net position	(550)	2,695
Cash basis net position beginning of year	3,692	997
Cash basis net position end of year	\$ 3,142	3,692

**Receipts by Source**



**Disbursements by Function**



The City's total receipts for governmental activities decreased 43.7%, or approximately \$3,725,000. The total cost of all programs and services decreased approximately \$743,000, or 12.4%, with no new programs added this year. The significant decrease in receipts was primarily the result of note proceeds received from the issuance of general obligation capital loan notes during fiscal year 2017. The decrease in disbursements was due primarily to the City paying off its general obligation capital loan notes, series 2011A during fiscal year 2017.

The City's property tax rates for fiscal year 2018 represent a decrease from fiscal year 2017. Overall, taxable valuation increased 5.59% and property tax rates decreased 0.31%. The City's property tax receipts increased approximately \$80,000 in fiscal year 2018. For fiscal year 2019, there is an increase in assessed property values and, with a change in the rollback from fiscal year 2018 to fiscal year 2019, the taxable value increased 6.72% and property tax rates per \$1,000 of taxable valuation decreased 0.20%. These changes result in budgeted property tax increasing approximately \$104,000.

The cost of all governmental activities this year was approximately \$5.3 million compared to approximately \$6 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 16-17, the amount taxpayers ultimately financed for these activities was approximately \$3.5 million because some of the cost was paid by those directly benefiting from the programs (approximately \$1,044,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$728,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased approximately \$219,000 in fiscal year 2018.

Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2018	2017
Receipts:		
Program receipts:		
Charges for service:		
Water	\$ 1,049	852
Sewer	958	687
Garbage/recycling	314	287
Storm water	191	112
General receipts:		
Note proceeds	3,528	-
Miscellaneous	2	-
Unrestricted interest on investments	-	1
Total receipts	6,042	1,939
Disbursements:		
Water	1,685	901
Sewer	3,697	612
Garbage/recycling	297	151
Storm water	469	274
Total disbursements	6,148	1,938
Change in cash basis net position before transfers	(106)	1
Transfers, net	88	(175)
Change in cash basis net position	(18)	(174)
Cash basis net position beginning of year	2,078	2,252
Cash basis net position end of year	\$ 2,060	2,078

Total business type activities receipts for the fiscal year were approximately \$6.042 million compared to approximately \$1.939 million last year. This increase was due primarily to the receipt of note proceeds totaling \$3.528 million in fiscal year 2018. The cash balance decreased approximately \$18,000 from the prior year, which is primarily due to water and sewer utility improvement projects.

#### **INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS**

As the City of Adel completed the year, its governmental funds reported a combined fund balance of \$3,130,230, a decrease of \$550,593 from last year's total of \$3,680,823. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$605,889 over the prior year to \$1,767,439, due primarily to an increase in licenses and permits revenue for building permits and subdivision fees. Licenses and permits increased approximately \$186,000 during fiscal year 2018. The remaining increase is attributed to receipts exceeding disbursements during the year.
- The Special Revenue, Road Use Tax Fund cash balance increased \$12,119 to \$257,808. This increase was due primarily to fewer transfers out in fiscal year 2018 than in fiscal year 2017.

- The Special Revenue, Urban Renewal Tax Increment Fund was established to account for a major urban renewal project within the City’s business district. At the end of the fiscal year, the cash balance was \$37,648, a decrease of \$13,720 from the previous year. The decrease was due primarily to fewer tax increment financing collections in fiscal year 2018 than in fiscal year 2017. The City budgets and requests only the approximate amount of receipts needed during the year.
- The Special Revenue, Local Sales and Services Tax Fund cash balance increased from \$304,811 to \$372,378. This was the seventh complete year of local option sales tax collections. The State provides forecasts of monthly payments based upon estimated sales tax collections and completes an annual reconciliation. The forecasted payments decreased with actual receipts decreasing from \$539,776 to \$476,425 in fiscal year 2018. In addition, transfers out decreased approximately \$46,000.
- The Debt Service Fund cash balance increased \$22,561 to \$42,608. This increase was the result of fewer general obligation note proceeds and corresponding debt payments made during fiscal year 2018 than in fiscal year 2017. Property taxes in this fund also increased approximately \$12,000 in fiscal year 2018.
- The Capital Projects Fund cash balance decreased \$1,252,691 to \$587,665. This decrease is due to more capital project related disbursements in fiscal year 2018 than in fiscal year 2017.

**INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS**

- The Enterprise, Water Fund cash balance decreased \$194,417 to \$683,943, due primarily to an increase in disbursements for the water utility improvement project and water treatment plant.
- The Enterprise, Sewer Fund cash balance increased \$2,562 to \$932,390. Note proceeds and related project disbursements increased proportionally in fiscal year 2018. In addition, the Community Sewer Initiative surcharge of \$7 per month was implemented in fiscal year 2018. The revenue from this fee is dedicated to the payment of capital improvement projects.
- The Enterprise, Garbage/Recycling Fund cash balance increased \$6,531 to \$101,536, due primarily to an increase in the number of customers receiving garbage services, resulting in an increase to garbage receipts.
- The Enterprise, Storm Water Fund cash balance increased \$166,632 to \$317,476, due primarily to note proceeds received in fiscal year 2018. Also, the Community Storm Water surcharge of \$3 per month was implemented in fiscal year 2018 to pay for capital improvement projects.

**BUDGETARY HIGHLIGHTS**

Over the course of the year, the City amended its budget one time. The amendment was approved on May 8, 2018 and resulted in an increase in budgeted operating disbursements of approximately \$7,285,898 to various functions, with the main increase to the business type activities function for water, sewer and wastewater projects in fiscal year 2018.

The City’s receipts were \$717,646 more than the amended budget. This was primarily due to the City receiving more in sewer and water charges for service than anticipated, even with the amendment.

The City's disbursements were \$1,573,896 less than the amended budget. This was primarily due to the City spending less on business type activities than expected.

Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the debt service function. In addition, disbursements in the general government, capital projects and business type activities functions exceeded the amounts budgeted prior to the budget amendment.

**DEBT ADMINISTRATION**

At June 30, 2018, the City had approximately \$12,092,000 of notes outstanding, compared to approximately \$11,250,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2018	2017
General obligation notes	\$ 8,870	9,610
Revenue notes	2,002	1,640
Interim revenue project notes	1,220	-
Total	\$ 12,092	11,250

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of approximately \$8.9 million is below its constitutional debt limit of approximately \$11.4 million.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City of Adel's elected and appointed officials and citizens considered many factors when setting the fiscal year 2019 budget, tax rates and fees charged for various City activities. One of those factors is the economy. Unemployment in the County as of April 2018 stands at 1.6% versus 2.2% at July 2017. This compares with the State's unemployment rate of 2.5% and the national rate of 3.9% as of April 2018.

These indicators were taken into account when adopting the budget for fiscal year 2019. Amounts available for appropriation in the operating budget are approximately \$17.3 million, an increase of approximately \$6.3 million from the fiscal year 2018 final budget. Property tax is expected to increase approximately \$104,000, tax increment financing is expected to increase approximately \$6,000, licenses and permits are expected to decrease approximately \$212,000 and intergovernmental receipts are expected to increase approximately \$6.4 million. Budgeted disbursements are expected to increase approximately \$3.8 million from the final fiscal year 2018 budget. This is primarily due to higher budgeted disbursements in the proprietary funds resulting from capital projects and growth. The City has added no major new programs or initiatives to the fiscal year 2019 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$520,000 by the close of fiscal year 2019.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall, 301 S. 10<sup>th</sup> Street, Adel, Iowa 50003.



## **Basic Financial Statements**

City of Adel

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2018

	Program Receipts		
	Disbursements	Charges for Service	Operating Grants, Contributions and Restricted Interest
<b>Functions/Programs:</b>			
<b>Primary Government:</b>			
Governmental activities:			
Public safety	\$ 1,153,014	630,219	114,114
Public works	543,902	-	484,793
Culture and recreation	937,383	288,027	64,921
Community and economic development	100,203	-	-
General government	228,851	12,066	59,159
Debt service	992,771	-	-
Capital projects	1,301,061	113,311	5,026
Total governmental activities	5,257,185	1,043,623	728,013
Business type activities:			
Water	1,685,617	1,049,494	-
Sewer	3,696,731	958,393	-
Garbage/recycling	297,060	313,591	-
Storm water	469,279	191,331	-
Total business type activities	6,148,687	2,512,809	-
<b>Total Primary Government</b>	<b>\$ 11,405,872</b>	<b>3,556,432</b>	<b>728,013</b>
<b>Component Units:</b>			
South Dallas County Landfill Agency	\$ 2,108,912	2,382,738	-
Friends of Adel Library Foundation	65,921	-	87,171
<b>Total component units</b>	<b>\$ 2,174,833</b>	<b>2,382,738</b>	<b>87,171</b>
<b>General Receipts and Transfers:</b>			
Property and other city tax levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales and services tax			
Unrestricted interest on investments			
Note proceeds			
Miscellaneous			
Transfers			
Total general receipts and transfers			
Change in cash basis net position			
Cash basis net position beginning of year			
Cash basis net position end of year			
<b>Cash Basis Net Position</b>			
Restricted:			
Streets			
Local option sales tax			
Debt service			
Capital projects			
Closure and postclosure care			
Library Foundation			
Other purposes			
Unrestricted			
<b>Total cash basis net position</b>			

See notes to financial statements.

Net (Disbursements) Receipts and Changes in Cash Basis Net Position				
Primary Government			Component Units	
Governmental Activities	Business Type Activities	Total	South Dallas County Landfill Agency	Friends of Adel Library Foundation
(408,681)	-	(408,681)		
(59,109)	-	(59,109)		
(584,435)	-	(584,435)		
(100,203)	-	(100,203)		
(157,626)	-	(157,626)		
(992,771)	-	(992,771)		
<u>(1,182,724)</u>	<u>-</u>	<u>(1,182,724)</u>		
<u>(3,485,549)</u>	<u>-</u>	<u>(3,485,549)</u>		
-	(636,123)	(636,123)		
-	(2,738,338)	(2,738,338)		
-	16,531	16,531		
-	<u>(277,948)</u>	<u>(277,948)</u>		
-	<u>(3,635,878)</u>	<u>(3,635,878)</u>		
<u>(3,485,549)</u>	<u>(3,635,878)</u>	<u>(7,121,427)</u>		
			273,826	-
			<u>-</u>	<u>21,250</u>
			<u>273,826</u>	<u>21,250</u>
1,515,826	-	1,515,826	-	-
340,495	-	340,495	-	-
633,628	-	633,628	-	-
476,425	-	476,425	-	-
31,942	-	31,942	130,284	-
-	3,527,753	3,527,753	-	-
25,114	1,643	26,757	6,716	-
<u>(88,060)</u>	<u>88,060</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,935,370</u>	<u>3,617,456</u>	<u>6,552,826</u>	<u>137,000</u>	<u>-</u>
(550,179)	(18,422)	(568,601)	410,826	21,250
<u>3,691,530</u>	<u>2,078,619</u>	<u>5,770,149</u>	<u>7,453,214</u>	<u>63,651</u>
<u>\$ 3,141,351</u>	<u>2,060,197</u>	<u>5,201,548</u>	<u>7,864,040</u>	<u>84,901</u>
\$ 257,808	-	257,808	-	-
372,378	-	372,378	-	-
80,256	99,003	179,259	-	-
587,665	580,259	1,167,924	-	-
-	-	-	2,262,638	-
-	-	-	-	84,901
73,183	119,715	192,898	19,168	-
<u>1,770,061</u>	<u>1,261,220</u>	<u>3,031,281</u>	<u>5,582,234</u>	<u>-</u>
<u>\$ 3,141,351</u>	<u>2,060,197</u>	<u>5,201,548</u>	<u>7,864,040</u>	<u>84,901</u>

City of Adel

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Governmental Funds

As of and for the year ended June 30, 2018

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Local Sales and Services Tax
Receipts:				
Property tax	\$ 985,670	-	-	-
Tax increment financing	-	-	633,628	-
Other city tax	113,877	-	-	476,425
Licenses and permits	625,038	-	-	-
Use of money and property	90,934	-	-	-
Intergovernmental	140,232	484,793	-	-
Charges for service	276,472	-	-	-
Special assessments	-	-	-	-
Miscellaneous	80,527	-	-	-
Total receipts	2,312,750	484,793	633,628	476,425
Disbursements:				
Operating:				
Public safety	871,569	-	-	-
Public works	46,306	497,674	-	-
Culture and recreation	817,666	-	-	-
Community and economic development	91,999	-	-	-
General government	212,571	-	-	-
Debt service	-	-	-	-
Capital projects	48,549	-	-	4,658
Total disbursements	2,088,660	497,674	-	4,658
Excess (deficiency) of receipts over (under) disbursements	224,090	(12,881)	633,628	471,767
Other financing sources (uses):				
Transfers in	555,444	25,000	-	-
Transfers out	(173,645)	-	(647,348)	(404,200)
Total other financing sources (uses)	381,799	25,000	(647,348)	(404,200)
Change in cash balances	605,889	12,119	(13,720)	67,567
Cash balances beginning of year	1,161,550	245,689	51,368	304,811
Cash balances end of year	\$ 1,767,439	257,808	37,648	372,378
<b>Cash Basis Fund Balances</b>				
Restricted for:				
Streets	\$ -	257,808	-	-
Local option sales tax	-	-	-	372,378
Debt service	-	-	37,648	-
Capital projects	-	-	-	-
Other purposes	8,499	-	-	-
Unassigned	1,758,940	-	-	-
Total cash basis fund balances	\$ 1,767,439	257,808	37,648	372,378

See notes to financial statements.

Debt Service	Capital Projects	Nonmajor	Total
340,495	-	416,279	1,742,444
-	-	-	633,628
-	-	-	590,302
-	-	-	625,038
-	-	-	90,934
-	-	-	625,025
-	-	-	276,472
-	113,311	-	113,311
-	-	17,385	97,912
340,495	113,311	433,664	4,795,066
-	-	281,652	1,153,221
-	-	-	543,980
-	-	119,717	937,383
-	-	8,204	100,203
-	-	16,409	228,980
992,771	-	-	992,771
-	1,247,854	-	1,301,061
992,771	1,247,854	425,982	5,257,599
(652,276)	(1,134,543)	7,682	(462,533)
674,837	88,645	-	1,343,926
-	(206,793)	-	(1,431,986)
674,837	(118,148)	-	(88,060)
22,561	(1,252,691)	7,682	(550,593)
20,047	1,840,356	57,002	3,680,823
42,608	587,665	64,684	3,130,230
-	-	-	257,808
-	-	-	372,378
42,608	-	-	80,256
-	587,665	-	587,665
-	-	64,684	73,183
-	-	-	1,758,940
42,608	587,665	64,684	3,130,230

City of Adel

Reconciliation of the Statement of Cash  
Receipts, Disbursements and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position -  
Governmental Funds

As of and for the year ended June 30, 2018

**Total governmental funds cash balances (page 19)** \$ 3,130,230

***Amounts reported for governmental activities in the Cash Basis Statement  
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the cash balance of the Internal Service Funds is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

11,121

**Cash basis net position of governmental activities (page 17)** \$ 3,141,351

**Change in cash balances (page 19)** \$ (550,593)

***Amounts reported for governmental activities in the Cash Basis Statement  
of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balance of the Internal Service Funds is reported in governmental activities in the Cash Basis Statement of Activities and Net Position.

414

**Change in cash basis net assets of governmental activities (page 17)** \$ (550,179)

See notes to financial statements.

City of Adel

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Proprietary Funds

As of and for the year ended June 30, 2018

	Enterprise					Internal Service
	Water	Sewer	Garbage/ Recycling	Storm Water	Total	
Operating receipts:						
Charges for service	\$ 1,049,494	958,393	313,591	191,331	2,512,809	9,110
Operating disbursements:						
Governmental activities:						
Public safety	-	-	-	-	-	2,538
Public works	-	-	-	-	-	967
General government	-	-	-	-	-	1,594
Business type activities	621,581	499,946	297,060	61,438	1,480,025	3,327
Total operating disbursements	621,581	499,946	297,060	61,438	1,480,025	8,426
Excess of operating receipts over operating disbursements	427,913	458,447	16,531	129,893	1,032,784	684
Non-operating receipts (disbursements):						
Capital projects	(710,636)	(1,528,670)	-	(407,841)	(2,647,147)	-
Debt service	(353,531)	(1,668,254)	-	-	(2,021,785)	-
Miscellaneous	-	1,643	-	-	1,643	-
Note proceeds	441,837	2,628,275	-	457,641	3,527,753	-
Net non-operating receipts (disbursements)	(622,330)	(567,006)	-	49,800	(1,139,536)	-
Excess (deficiency) of receipts over (under) disbursements	(194,417)	(108,559)	16,531	179,693	(106,752)	684
Transfers in	-	111,121	-	-	111,121	-
Transfers out	-	-	(10,000)	(13,061)	(23,061)	-
Total transfers in (out)	-	111,121	(10,000)	(13,061)	88,060	-
Change in cash balances	(194,417)	2,562	6,531	166,632	(18,692)	684
Cash balances beginning of year	878,360	929,828	95,005	150,844	2,054,037	35,289
Cash balances end of year	\$ 683,943	932,390	101,536	317,476	2,035,345	35,973
<b>Cash Basis Fund Balances</b>						
Restricted for:						
Debt service	\$ 87,238	11,765	-	-	99,003	-
Capital improvements	108,066	116,404	-	64,980	289,450	-
Storm water improvements	-	241,407	-	49,402	290,809	-
Water deposits	119,715	-	-	-	119,715	-
Unrestricted	368,924	562,814	101,536	203,094	1,236,368	35,973
Total cash basis fund balances	\$ 683,943	932,390	101,536	317,476	2,035,345	35,973

See notes to financial statements.

City of Adel

Reconciliation of the Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
to the Cash Basis Statement of Activities and Net Position –  
Proprietary Funds

As of and for the year ended June 30, 2018

**Total enterprise funds cash balances (page 21)** \$ 2,035,345

***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the cash balances of the Internal Service Funds is included in business type activities in the Cash Basis Statement of Activities and Net Position.

24,852

**Cash basis net position of business type activities (page 17)** \$ 2,060,197

**Change in cash balances (page 21)** \$ (18,692)

***Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:***

The Internal Service Funds are used by management to charge the costs of building replacement and partial self funding of the City's flexible benefits plan to individual funds. A portion of the change in the cash balances of the Internal Service Funds is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

270

**Change in cash basis net position of business type activities (page 17)** \$ (18,422)

See notes to financial statements.



City of Adel

Statement of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Fiduciary Funds

As of and for the year ended June 30, 2018

	Agency				Total
	Oakdale Pride	Library Friends/Foundation	Historic Preservation Plaques	Rotary Bike Rack	
Additions:					
Donations	\$ 12,440	33,000	2,240	3,212	50,892
Deductions:					
Maintenance and repairs	27,788	21,835	-	-	49,623
Change in cash balance	(15,348)	11,165	2,240	3,212	1,269
Cash balance beginning of year	15,904	4,993	-	-	20,897
Cash balance end of year	\$ 556	16,158	2,240	3,212	22,166

**City of Adel**

City of Adel

Notes to Financial Statements

June 30, 2018

**(1) Summary of Significant Accounting Policies**

The City of Adel is a political subdivision of the State of Iowa located in Dallas County. It was first incorporated in 1877 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture and recreation, community and economic development and general government services. The City also provides water, sewer, garbage/recycling and storm water utilities to its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Adel has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Adel (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. The individual component unit financial statements can be obtained at City Hall, Adel, Iowa 50003.

Discretely Presented Component Units

The South Dallas County Landfill Agency (Landfill Agency) and Friends of Adel Library Foundation (Foundation) are presented in separate columns to emphasize they are legally separate from the City, but are financially accountable to the City or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete.

The Landfill Agency is governed by a one member board appointed by the City Council. A financial benefit/burden relationship exists between the City and the Landfill Agency in that the Landfill Agency's operating budget is subject to the approval of the City Council.

The Friends of Adel Library Foundation is an entity which is legally separate from the City. The Foundation collects donations which are used to purchase items to support the City Library. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Friends of Adel Library Foundation meets the definition of a component unit which should be discretely presented.

### Blended Component Unit

Pursuant to Chapter 501B of Code of Iowa, the City of Adel Fire Association (Fire Association) is an unincorporated nonprofit association. The Fire Association exists for charitable purposes in support of the City's Fire Department. In accordance with criteria set forth by the Governmental Accounting Standards Board, the Fire Association meets the definition of a component unit which should be blended. Based on these criteria, the Fire Association is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. The Fire Association is reported as part of the City and blended into the nonmajor governmental funds.

### Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dallas County Assessor's Conference Board, Dallas County Emergency Management Commission, Dallas County Joint 911 Service Board, Central Iowa Regional Transportation and Planning Alliance (CIRTPA), Adel Enterprises, Adel Partners, Metropolitan Advisory Council and the Greater Dallas County Development Alliance.

## B. Basis of Presentation

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation resulted in \$289,450 of restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Local Sales and Services Tax Fund is used to account for the collection and use of local option sales and services tax.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage/Recycling Fund accounts for the operation and maintenance of the City's solid waste collection and recycling system.

The Enterprise, Storm Water Fund accounts for the operation and maintenance of the City's storm water system.

The City also reports the following additional proprietary funds:

Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

Additionally, the City reports fiduciary funds to account for assets held by the City as an agent for certain organizations.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classification.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2018, disbursements exceeded the amounts budgeted in the debt service function. In addition, disbursements in the general government, capital projects and business type activities functions exceeded the budget prior to the budget amendment.

**(2) Cash and Pooled Investments**

The City's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2018, the City had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$367,962 pursuant to Rule 2a-7 under the Investment Company Act of 1940. There were no limitations or restrictions on withdrawals for the IPAIT investments. The City's investment in the Iowa Public Agency Investment Trust is unrated.

### Component Unit

The South Dallas County Landfill Agency (Landfill Agency) categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs. The recurring fair value of the U.S. Treasury Securities Stripped of Interest (Securities) at June 30, 2018 was \$6,900,677 and was determined using the last reported sales price at current exchange rates. (Level 1 inputs) The carrying amount of the Securities at June 30, 2018 was \$6,237,280 and the maturity dates ranged from November 15, 2018 to November 15, 2027.

### **(3) Notes Payable**

Annual debt service requirements to maturity for general obligation notes and revenue notes are as follows:

Year Ending June 30,	General Obligation Notes		Revenue Notes		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 725,000	240,668	79,332	45,794	804,332	286,462
2020	750,000	221,593	84,722	44,504	834,722	266,097
2021	880,000	201,580	85,120	42,806	965,120	244,386
2022	685,000	178,220	85,526	41,099	770,526	219,319
2023	690,000	159,915	85,940	39,060	775,940	198,975
2024-2028	2,830,000	551,475	476,215	160,437	3,306,215	711,912
2029-2033	2,310,000	179,842	282,941	96,538	2,592,941	276,380
2034-2038	-	-	135,816	75,624	135,816	75,624
2039-2043	-	-	150,088	61,352	150,088	61,352
2044-2048	-	-	165,858	45,581	165,858	45,581
2049-2053	-	-	183,287	28,153	183,287	28,153
2054-2058	-	-	186,690	8,939	186,690	8,939
Total	\$ 8,870,000	1,733,293	2,001,535	689,887	10,871,535	2,423,180

### Revenue Notes

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$1,400,000 of water revenue notes issued in June 2013. Proceeds from the notes provided financing for water capital project construction. The notes are payable solely from water customer net receipts and are payable through 2030. Annual principal and interest payments on the notes are expected to require 82% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,015,675. For the current year, principal and interest paid and total customer net receipts were \$352,731 and \$427,913, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,163,000 of sewer revenue notes issued in February 2018. Proceeds from the notes provided financing for the construction of improvements to the sewer utility system. The notes are payable solely from sewer customer net receipts and are payable through 2058. Annual principal and interest payments on the notes are expected to require 3% of net receipts. The total principal and interest remaining to be paid on the notes is \$1,675,747. For the current year, principal and interest paid and total customer net receipts were \$14,096 and \$458,447, respectively.

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to separate water and sewer revenue note sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.
- (c) Additional monthly transfers to a water reserve account and a sewer revenue reserve account within the Enterprise Funds shall be made until specific minimum balances have been accumulated. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the respective systems.
- (d) User rates shall be established at a level which produces and maintains net receipts at a level not less than 100% for the water revenue notes and 110% for the sewer revenue notes of the amount of principal and interest on the notes falling due in the same year.
- (e) Sufficient monthly transfers shall be made to a separate water improvement account within the Enterprise Funds until a balance of \$50,000 has been accumulated.

#### Revenue Capital Loan Anticipation Project Notes

On December 8, 2015, the City issued an interest free sewer revenue loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$300,000 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal sewer system. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue bonds in an amount sufficient to repay the note. At June 30, 2018, the City had not yet drawn any funds against the anticipation project note. On December 18, 2018, the note matured and the agreement is no longer valid.

On December 12, 2017, the City entered into a loan anticipation project note agreement with Raccoon Valley Bank to borrow up to \$1,635,000 at 2.40% per annum for storm water improvements. The note was issued pursuant to the provisions of Chapters 76.13 and 684.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of storm water revenue notes in an amount sufficient to repay the note. At June 30, 2018, the City had drawn down \$457,641 of the authorized amount.



On December 12, 2017, the City issued an interest free water revenue loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$1,025,000 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal water system. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of water revenue notes in an amount sufficient to repay the note. At June 30, 2018, the City had drawn down \$441,837 of the authorized amount.

On December 12, 2017, the City issued an interest free sewer revenue loan and disbursement agreement interim project anticipation note to the Iowa Finance Authority for up to \$580,050 to pay the costs of acquisition, construction, repairing and equipping all or part of the municipal sewer system. The note was issued pursuant to the provisions of Chapters 76.13 and 384.24A of the Code of Iowa in anticipation of the receipt of, and is payable from, the proceeds of an authorized loan agreement and a corresponding issuance of sewer revenue notes in an amount sufficient to repay the note. At June 30, 2018, the City had drawn down \$320,614 of the authorized amount.

#### **(4) Pension Plan**

Plan Description – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees’ Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at PO Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits – A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, any time after reaching age 62 with 20 or more years of covered employment or when the member’s years of service plus the member’s age at the last birthday equals or exceeds 88, whichever comes first. These qualifications must be met on the member’s first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member’s monthly IPERS benefit includes:

- A multiplier based on years of service.
- The member’s highest five-year average salary, except members with service before June 30, 2012 will use the highest three-year average salary as of that date if it is greater than the highest five-year average salary.

Protection occupation members may retire at normal retirement age which is generally at age 55. The formula used to calculate a protection occupation members’ monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for more than 22 years of service but not more than 30 years of service.
- The member’s highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits – A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions – Contribution rates are established by IPERS following the annual actuarial valuation which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2018, pursuant to the required rate, Regular members contributed 5.95% of covered payroll and the City contributed 8.93% of covered payroll, for a total rate of 14.88%. Protective occupation members contributed 6.56% of covered payroll and the City contributed 9.84% of covered payroll, for a total rate of 16.40%.

The City's contributions to IPERS for the year ended June 30, 2018 were \$126,038.

Net Pension Liability, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At June 30, 2018, the City reported a liability for \$738,682 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2017, the City's proportion was 0.011089%, which was an increase of 0.000199% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City's pension expense, deferred outflows of resources and deferred inflows of resources totaled \$143,278, \$260,446 and \$237,734, respectively.

There were no non-employee contributing entities to IPERS.

Actuarial Assumptions – The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, as follows:

Rate of inflation (effective June 30, 2017)	2.60% per annum.
Rates of salary increase (effective June 30, 2017)	3.25 to 16.25% average, including inflation. Rates vary by membership group.
Long-term investment rate of return (effective June 30, 2017)	7.00% compounded annually, net of investment expense, including inflation.
Wage growth (effective June 30, 2017)	3.25% per annum, based on 2.60% inflation and 0.65% real wage inflation.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience study dated March 24, 2017.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24.0%	6.25%
International equity	16.0	6.71
Core plus fixed income	27.0	2.25
Public credit	3.5	3.46
Public real assets	7.0	3.27
Cash	1.0	(0.31)
Private equity	11.0	11.15
Private real assets	7.5	4.18
Private credit	3.0	4.25
Total	<u>100.0%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1% lower (6.00%) or 1% higher (8.00%) than the current rate.

	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 1,472,596	738,682	122,325

IPERS' Fiduciary Net Position – Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**(5) Other Postemployment Benefits (OPEB)**

Plan Description – The City operates a single-employer health benefit plan which provides medical/prescription drug and dental benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and the plan members range from \$452 to \$483 for single coverage and \$1,386 to \$1,429 for family coverage for medical/prescription drug benefits and \$33 for single coverage and \$68 to \$190 for family coverage for dental benefits. For the year ended June 30, 2018, the City contributed \$246,166 and plan members eligible for benefits contributed \$57,176 to the plan. At June 30, 2018, no assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City of Adel and are eligible to participate in the group health and dental plan are eligible to continue healthcare and dental benefits upon retirement. Retirees under age 65 pay the same premium for the medical/prescription drug and dental benefits as active employees, which results in an implicit rate subsidy.

Retired participants must be age 55 or older at retirement, with the exception of special service participants who must be age 50 with 22 years of services. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active employees	<u>25</u>
Total	<u>26</u>

**(6) Compensated Absences**

City employees accumulate a limited amount of earned but unused vacation and compensatory time hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City’s approximate liability for earned vacation and compensatory time payable to employees at June 30, 2018, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 75,000
Compensatory time	14,000
Total	<u>\$ 89,000</u>

This liability has been computed based on rates of pay in effect at June 30, 2018.

**(7) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2018 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Local Option Sales and Services Tax	\$ 242,500
	Urban Renewal Tax Increment	113,428
	Capital Projects	189,516
	Enterprise:	
	Garbage/Recycling	10,000
		<u>555,444</u>
Special Revenue: Road Use Tax	Special Revenue: Urban Renewal Tax Increment	<u>25,000</u>
Debt Service	Special Revenue:	
	Urban Renewal Tax Increment	508,920
	Local Sales and Services Tax	161,700
	Capital Projects	4,217
		<u>674,837</u>
Capital Projects	General	<u>88,645</u>
Enterprise: Sewer	General	85,000
	Capital Projects	13,060
	Enterprise: Storm Water	13,061
		<u>111,121</u>
Total		<u>\$ 1,455,047</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

**(8) Interfund Loans**

On July 25, 2012, the City agreed to advance \$150,000 from the Special Revenue, Road Use Tax Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for the 12<sup>th</sup> Street paving project. The City approved a repayment schedule of \$25,000 each fiscal year, starting with fiscal year 2014, for the borrowing from the Special Revenue, Road Use Tax Fund.

During the year ended June 30, 2018, the Special Revenue, Urban Renewal Tax Increment Fund repaid \$25,000 to the Special Revenue, Road Use Tax Fund. The amount due to the Special Revenue, Road Use Tax Fund at June 30, 2018 is \$25,000.

On December 9, 2014, the City agreed to advance \$292,512 from the Enterprise, Sewer Fund to the General Fund, which then advanced the same amount to the Special Revenue, Urban Renewal Tax Increment Fund, for costs associated with the City's urban renewal projects. These loans will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, which will then transfer to the Enterprise, Sewer Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2018, no transfers were made to repay this loan. The amount due to the General Fund and ultimately, the Enterprise, Sewer Fund at June 30, 2018 is \$292,512.

On November 14, 2017, the City agreed to advance \$240,647 from the General Fund to the Special Revenue, Urban Renewal Tax Increment Fund for the purpose of paying for improvements consistent with the promotion of economic development and blight remediation. This loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund to the General Fund, as funds become available in the Special Revenue, Urban Renewal Tax Increment Fund. During the year ended June 30, 2018, no transfers were made to repay this loan. The amount due to the General Fund at June 30, 2018 is \$240,647.

**(9) Risk Management**

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Rebate Agreements**

The City has entered into two rebate agreements to assist in certain urban renewal projects. The City agreed to rebate incremental property tax paid by the participating companies with respect to the improvements set forth in the urban renewal plan. The incremental property tax to be received by the City under Chapter 403.19 of the Code of Iowa from the participating companies will be rebated for a period of up to five years beginning with the tax year in which the property tax on the completed value of the improvements is first paid. During the year ended June 30, 2018, the City rebated \$6,000 of incremental property tax to the participating companies.

**(11) Deficit Balance**

The Internal Service, Flex Benefits Fund had a deficit balance of \$5,868 at June 30, 2018. The City has a plan to reduce the deficit in fiscal year 2018.

## **(12) Tax Abatements**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax receipts to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

### City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2018, the City abated \$2,581 of property tax under the urban renewal and economic development agreements.

## **(13) Subsequent Events**

In September 2018, the City entered into a loan agreement to issue sewer revenue capital loan notes in an amount not to exceed \$12,000,000 to finance construction on improvements to the municipal sewer utility system.

On October 9, 2018, the City issued water revenue capital loan notes of \$16,603,000 to finance construction on improvements to the municipal water system.

On October 9, 2018, the City issued sewer revenue capital loan notes of \$6,041,000 to finance construction on improvements to the municipal sewer utility system.

**City of Adel**



## **Other Information**

City of Adel  
 Budgetary Comparison Schedule  
 of Receipts, Disbursements, and Changes in Balances –  
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2018

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
<b>Receipts:</b>			
Property tax	\$ 1,742,444	-	-
Tax increment financing	633,628	-	-
Other city tax	590,302	-	-
Licenses and permits	625,038	-	-
Use of money and property	90,934	-	-
Intergovernmental	625,025	-	-
Charges for service	276,472	2,521,919	9,110
Special assessments	113,311	-	-
Miscellaneous	97,912	1,643	9,831
Total receipts	4,795,066	2,523,562	18,941
<b>Disbursements:</b>			
Public safety	1,153,221	2,538	8,783
Public works	543,980	967	967
Culture and recreation	937,383	-	-
Community and economic development	100,203	-	-
General government	228,980	1,594	1,594
Debt service	992,771	-	-
Capital projects	1,301,061	-	-
Business type activities	-	6,152,284	3,327
Total disbursements	5,257,599	6,157,383	14,671
Excess (deficiency) of receipts over (under) disbursements	(462,533)	(3,633,821)	4,270
Other financing sources (uses), net	(88,060)	3,615,813	-
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	(550,593)	(18,008)	4,270
Balances beginning of year	3,680,823	2,089,326	42,627
Balances end of year	\$ 3,130,230	2,071,318	46,897

See accompanying independent auditor's report.

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Total	Budgeted Amounts		Final to Total Variance
	Original	Final	
1,742,444	1,756,175	1,756,175	(13,731)
633,628	647,348	647,348	(13,720)
590,302	537,511	514,511	75,791
625,038	261,250	516,250	108,788
90,934	53,275	53,250	37,684
625,025	638,458	638,458	(13,433)
2,789,281	2,039,210	2,413,397	375,884
113,311	4,217	4,217	109,094
89,724	48,425	38,435	51,289
<u>7,299,687</u>	<u>5,985,869</u>	<u>6,582,041</u>	<u>717,646</u>
1,146,976	1,081,558	1,196,366	49,390
543,980	516,168	546,440	2,460
937,383	926,961	1,000,433	63,050
100,203	234,133	110,710	10,507
228,980	195,324	258,142	29,162
992,771	933,125	992,671	(100)
1,301,061	5,000	1,592,261	291,200
6,148,957	1,796,040	7,277,184	1,128,227
<u>11,400,311</u>	<u>5,688,309</u>	<u>12,974,207</u>	<u>1,573,896</u>
(4,100,624)	297,560	(6,392,166)	2,291,542
3,527,753	-	4,356,121	(828,368)
(572,871)	297,560	(2,036,045)	1,463,174
<u>5,727,522</u>	<u>3,432,072</u>	<u>5,734,858</u>	<u>(7,336)</u>
<u>5,154,651</u>	<u>3,729,632</u>	<u>3,698,813</u>	<u>1,455,838</u>

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City of Adel

Notes to Other Information – Budgetary Reporting

June 30, 2018

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the component units and the Internal Service and Agency Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$7,285,898. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2018, disbursements exceeded the amount budgeted in the debt service function. In addition, disbursements in the general government, capital projects and business type activities functions exceeded the amounts budgeted prior to the budget amendment.

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City of Adel

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System  
For the Last Four Years\*  
(In Thousands)

Other Information

	2018	2017	2016	2015
City's proportion of the net pension liability	0.011089%	0.010890%	0.008788%	0.007337%
City's proportionate share of the net pension liability	\$ 739	685	434	291
City's covered payroll	\$ 1,269	1,100	1,100	1,070
City's proportionate share of the net pension liability as a percentage of its covered payroll	58.23%	62.27%	39.45%	27.20%
IPERS' net position as a percentage of the total pension liability	82.21%	81.82%	85.19%	87.61%

\* In accordance with GASB Statement No. 68, the amounts presented for each fiscal year were determined as of June 30 of the preceding fiscal year.

See accompanying independent auditor's report.

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City of Adel

Schedule of City Contributions

Iowa Public Employees' Retirement System  
For the Last Ten Years  
(In Thousands)

Other Information

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contribution	\$ 126	118	106	103
Contributions in relation to the statutorily required contribution	<u>(126)</u>	<u>(118)</u>	<u>(106)</u>	<u>(103)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's covered payroll	\$ 1,362	1,269	1,100	1,100
Contributions as a percentage of covered payroll	9.25%	9.30%	9.64%	9.36%

See accompanying independent auditor's report.

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2014	2013	2012	2011	2010	2009
100	89	86	86	76	69
(100)	(89)	(86)	(86)	(76)	(69)
-	-	-	-	-	-
1,070	935	965	1,028	1,002	1,173
9.35%	9.52%	8.91%	8.37%	7.58%	5.88%

City of Adel

Notes to Other Information – Pension Liability

Year ended June 30, 2018

Changes of benefit terms:

Legislation enacted in 2010 modified benefit terms for Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

Changes of assumptions:

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00% to 2.60%.
- Decreased the assumed rate of interest on member accounts from 3.75% to 3.50% per year.
- Decreased the discount rate from 7.50% to 7.00%.
- Decreased the wage growth assumption from 4.00% to 3.25%.
- Decreased the payroll growth assumption from 4.00% to 3.25%.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30-year amortization period to a closed 30-year amortization period for the UAL (unfunded actuarial liability) beginning June 30, 2015. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.



**Supplementary Information**

City of Adel

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Nonmajor Governmental Funds

As of and for the year ended June 30, 2018

	Library Memorial	Employee Benefits	Special Police DARE
Receipts:			
Property tax	\$ -	416,279	-
Miscellaneous	7,300	-	254
Total receipts	7,300	416,279	254
Disbursements:			
Operating:			
Public safety	-	274,851	556
Culture and recreation	8,956	110,761	-
Community and economic development	-	8,204	-
General government	-	16,409	-
Total disbursements	8,956	410,225	556
Change in cash balances	(1,656)	6,054	(302)
Cash balances beginning of year	12,041	36,553	818
Cash balances end of year	\$ 10,385	42,607	516
<b>Cash Basis Fund Balances</b>			
Restricted for other purposes	\$ 10,385	42,607	516

See accompanying independent auditor's report.

Revenue				
Historical Museum	Fire Association	Police Forfeiture		Total
-	-	-		416,279
-	9,831	-		17,385
-	9,831	-		433,664
-	6,245	-		281,652
-	-	-		119,717
-	-	-		8,204
-	-	-		16,409
-	6,245	-		425,982
-	3,586	-		7,682
16	7,338	236		57,002
16	10,924	236		64,684
16	10,924	236		64,684

**City of Adel**

## City of Adel

Schedule of Cash Receipts, Disbursements  
and Changes in Cash Balances  
Internal Service Funds

Year ended June 30, 2018

	Building Replacement	Flex Benefits	Total
Operating receipts:			
Charges for service	\$ -	9,110	9,110
Operating disbursements:			
Governmental activities:			
Public safety	-	2,538	2,538
Public works	-	967	967
General government	-	1,594	1,594
Business type activities:			
Water	-	1,611	1,611
Sewer	-	1,716	1,716
Total operating disbursements	-	8,426	8,426
Change in cash balances	-	684	684
Cash balances beginning of year	41,841	(6,552)	35,289
Cash balances end of year	\$ 41,841	(5,868)	35,973
<b>Cash Basis Fund Balances</b>			
Unrestricted	\$ 41,841	(5,868)	35,973

See accompanying independent auditor's report.

City of Adel  
Schedule of Indebtedness  
Year ended June 30, 2018

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation notes:			
Refunding capital loan notes	Sept 27, 2011	0.50-1.90%	\$ 1,740,000
Refunding capital loan notes	Sept 27, 2011	0.50-3.15	2,165,000
Capital loan notes	Jul 10, 2012	2.40-3.25	3,500,000
Refunding capital loan notes	Jul 25, 2012	3.00	1,130,000
Capital loan notes	Jul 1, 2014	1.20-2.75	440,000
Refunding capital loan notes	Jun 28, 2017	2.00-3.00	3,935,000
Total			
Revenue notes:			
Sewer	May 14, 2013	1.00-3.50%	\$ 570,000
Water	Jun 11, 2013	0.75-3.38	1,400,000
Sewer	Feb 28, 2018	2.00	1,163,000
Total			
Interim revenue project notes:			
Sewer	Jun 28, 2017	0.00%	\$ 1,144,661
Storm water	Dec 12, 2017	2.40	457,641
Water	Dec 12, 2017	0.00	441,837
Sewer	Dec 12, 2017	0.00	320,614
Total			

See accompanying independent auditor's report.

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
175,000	-	175,000	-	3,325
1,100,000	-	160,000	940,000	28,270
3,260,000	-	75,000	3,185,000	86,200
770,000	-	155,000	615,000	23,100
370,000	-	40,000	330,000	8,580
3,935,000	-	135,000	3,800,000	99,946
<u>\$ 9,610,000</u>	<u>-</u>	<u>740,000</u>	<u>8,870,000</u>	<u>249,421</u>
475,000	-	475,000	-	14,263
1,165,000	-	320,000	845,000	32,731
-	1,163,000	6,465	1,156,535	7,631
<u>\$ 1,640,000</u>	<u>1,163,000</u>	<u>801,465</u>	<u>2,001,535</u>	<u>54,625</u>
-	1,144,661	1,144,661	-	17,737
-	457,641	-	457,641	-
-	441,837	-	441,837	-
-	320,614	-	320,614	-
<u>\$ -</u>	<u>2,364,753</u>	<u>1,144,661</u>	<u>1,220,092</u>	<u>17,737</u>

**Schedule 4**

City of Adel  
 Note Maturities  
 June 30, 2018

General Obligation Notes											
Year Ending June 30,	Refunding Capital Loan Notes		Aquatic Center Capital Loan Notes		Refunding Capital Loan Notes		Fire Truck Capital Loan Notes		Refunding Capital Loan Notes		Total
	Issued Sept 27, 2011		Issued July 10, 2012		Issued July 25, 2012		Issued July 1, 2014		Issued Jun 28, 2017		
	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	Interest Rates	Amount	
2019	2.15%	\$ 150,000	1.75%	\$ 80,000	3.00%	\$ 200,000	2.00%	\$ 40,000	3.00%	\$ 255,000	725,000
2020	2.35	150,000	1.75	85,000	3.00	205,000	2.00	45,000	3.00	265,000	750,000
2021	2.60	160,000	2.00	195,000	3.00	210,000	2.00	45,000	3.00	270,000	880,000
2022	2.80	160,000	2.10	200,000	-	-	2.75	50,000	3.00	275,000	685,000
2023	3.00	160,000	2.25	205,000	-	-	2.75	50,000	3.00	275,000	690,000
2024	3.15	160,000	2.40	215,000	-	-	2.75	50,000	2.00	280,000	705,000
2025	-	-	2.50	220,000	-	-	2.75	50,000	3.00	280,000	550,000
2026	-	-	2.60	230,000	-	-	-	-	2.30	285,000	515,000
2027	-	-	2.70	240,000	-	-	-	-	2.40	285,000	525,000
2028	-	-	2.80	245,000	-	-	-	-	2.50	290,000	535,000
2029	-	-	2.90	255,000	-	-	-	-	2.60	290,000	545,000
2030	-	-	3.00	265,000	-	-	-	-	2.70	295,000	560,000
2031	-	-	3.10	275,000	-	-	-	-	3.00	295,000	570,000
2032	-	-	3.25	475,000	-	-	-	-	3.00	160,000	635,000
Total		<u>\$ 940,000</u>		<u>\$ 3,185,000</u>		<u>\$ 615,000</u>		<u>\$ 330,000</u>		<u>\$ 3,800,000</u>	<u>8,870,000</u>



City of Adel  
 Note Maturities  
 June 30, 2018

Year Ending June 30,	Revenue Notes					
	Water			Sewer		
	Issued June 11, 2013		Issued Feb 28, 2018		Total	
	Interest Rates	Amount	Interest Rates	Amount		
2019	1.50%	\$ 60,000	2.00%	\$ 19,332	79,332	
2020	2.00	65,000	2.00	19,722	84,722	
2021	2.00	65,000	2.00	20,120	85,120	
2022	2.50	65,000	2.00	20,526	85,526	
2023	2.50	65,000	2.00	20,940	85,940	
2024	2.75	70,000	2.00	21,363	91,363	
2025	2.75	70,000	2.00	21,794	91,794	
2026	3.00	75,000	2.00	22,234	97,234	
2027	3.00	75,000	2.00	22,683	97,683	
2028	3.25	75,000	2.00	23,141	98,141	
2029	3.25	80,000	2.00	23,608	103,608	
2030	3.38	80,000	2.00	24,124	104,124	
2031		-	2.00	24,571	24,571	
2032		-	2.00	25,066	25,066	
2033		-	2.00	25,572	25,572	
2034		-	2.00	26,089	26,089	
2035		-	2.00	26,615	26,615	
2036		-	2.00	27,152	27,152	
2037		-	2.00	27,700	27,700	
2038		-	2.00	28,260	28,260	
2039		-	2.00	28,830	28,830	
2040		-	2.00	29,412	29,412	
2041		-	2.00	30,006	30,006	
2042		-	2.00	30,611	30,611	
2043		-	2.00	31,229	31,229	
2044		-	2.00	31,859	31,859	
2045		-	2.00	32,502	32,502	
2046		-	2.00	33,158	33,158	
2047		-	2.00	33,828	33,828	
2048		-	2.00	34,511	34,511	
2049		-	2.00	35,207	35,207	
2050		-	2.00	35,918	35,918	
2051		-	2.00	36,643	36,643	
2052		-	2.00	37,382	37,382	
2053		-	2.00	38,137	38,137	
2054		-	2.00	38,907	38,907	
2055		-	2.00	39,692	39,692	
2056		-	2.00	40,493	40,493	
2057		-	2.00	41,310	41,310	
2058		-	2.00	26,288	26,288	
Total		<u>\$ 845,000</u>		<u>\$ 1,156,535</u>	<u>2,001,535</u>	

See accompanying independent auditor's report.

City of Adel

Schedule of Receipts By Source and Disbursements By Function -  
All Governmental Funds

For the Last Ten Years

	2018	2017	2016	2015
Receipts:				
Property tax	\$ 1,742,444	1,665,068	1,670,133	1,617,400
Tax increment financing	633,628	641,589	641,828	535,382
Other city tax	590,302	650,926	585,532	534,081
Licenses and permits	625,038	438,980	323,835	226,345
Use of money and property	90,934	71,563	65,676	52,308
Intergovernmental	625,025	635,487	921,402	696,892
Charges for service	276,472	293,010	287,947	216,148
Special assessments	113,311	42,259	99,632	123,670
Miscellaneous	97,912	83,056	123,488	106,969
Total	<u>\$ 4,795,066</u>	<u>4,521,938</u>	<u>4,719,473</u>	<u>4,109,195</u>
Disbursements:				
Operating:				
Public safety	\$ 1,153,221	1,060,923	982,568	953,757
Public works	543,980	473,198	521,863	505,985
Culture and recreation	937,383	904,520	737,885	692,654
Community and economic development	100,203	91,359	78,755	67,539
General government	228,980	328,325	197,023	237,023
Debt service	992,771	3,051,954	981,923	914,828
Capital projects	1,301,061	91,687	689,989	1,406,425
Total	<u>\$ 5,257,599</u>	<u>6,001,966</u>	<u>4,190,006</u>	<u>4,778,211</u>

See accompanying independent auditor's report.

2014	2013	2012	2011	2010	2009
1,688,888	1,679,872	1,611,593	1,561,144	1,539,578	1,483,628
488,325	495,028	465,346	467,273	473,457	445,748
422,345	551,408	237,001	136,256	5,301	6,439
158,078	86,289	72,196	35,522	20,082	30,964
57,055	56,394	49,356	56,996	48,251	49,501
651,655	564,582	496,700	542,442	425,202	459,541
234,828	123,499	124,546	132,885	130,725	153,382
29,388	66,146	178,916	43,819	8,553	28,936
158,029	118,376	84,591	124,221	131,813	152,889
<b>3,888,591</b>	<b>3,741,594</b>	<b>3,320,245</b>	<b>3,100,558</b>	<b>2,782,962</b>	<b>2,811,028</b>
1,008,083	841,419	805,808	782,863	775,402	780,846
352,358	340,004	325,110	366,024	345,804	371,991
655,554	529,000	514,599	577,657	531,748	523,375
145,296	110,994	94,243	89,977	120,609	145,513
288,799	172,477	235,204	212,663	230,178	252,274
2,079,458	877,907	816,684	704,716	705,798	700,572
741,327	3,605,883	636,067	2,365,269	604,318	548,770
<b>5,270,875</b>	<b>6,477,684</b>	<b>3,427,715</b>	<b>5,099,169</b>	<b>3,313,857</b>	<b>3,323,341</b>

**City of Adel**

City of Adel  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2018

Grantor/Program	CFDA Number	Pass-Through Entity Identifying Number	Program Expenditures
Direct:			
U.S. Department of Agriculture:			
Water and Waste Disposal Systems for Rural Communities	10.760		<u>\$ 2,674,120</u>

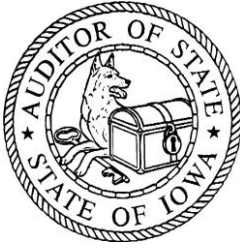
**Basis of Presentation** – The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal award activity of the City of Adel under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Adel, it is not intended to and does not present the financial position, changes in financial position or cash flows of the City of Adel.

**Summary of Significant Accounting Policies** – Expenditures reported in the Schedule are reported on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local and Indian Tribal Governments, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Indirect Cost Rate** – The City of Adel has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

See accompanying independent auditor’s report.

**Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards**



**OFFICE OF AUDITOR OF STATE**  
**STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance with  
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Adel, Iowa, as of and for the year ended June 30, 2018, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 17, 2018. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Adel's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Adel's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Adel's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Adel's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-A-18 to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Adel's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2018 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


### The City of Adel's Responses to the Findings

The City of Adel's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Adel's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Adel during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

  
MARY MOSIMAN, CPA  
Auditor of State

December 17, 2018





**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Mary Mosiman, CPA  
Auditor of State

State Capitol Building  
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance  
for Each Major Federal Program and on Internal Control over Compliance  
Required by the Uniform Guidance

To the Honorable Mayor and Members of the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Adel, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the City of Adel's major federal program for the year ended June 30, 2018. The City of Adel's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Adel's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the audit requirements of Title 2, U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Adel's compliance with those requirements and performing such other procedures we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Adel's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Adel complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.


## Report on Internal Control Over Compliance

The management of the City of Adel is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Adel's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Adel's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify deficiencies in internal control over compliance we consider to be material weaknesses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
MARY MOSIMAN, CPA  
Auditor of State

December 17, 2018

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unmodified opinions were issued on the financial statements prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit did not disclose audit findings which are required to be reported in accordance with the Uniform Guidance, Section 200.516.
- (g) The major program was CFDA Number 10.760 – Water and Waste Disposal Systems for Rural Communities.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) The City of Adel did not qualify as a low-risk auditee.

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part II: Findings Related to the Financial Statements:**

**INTERNAL CONTROL DEFICIENCIES:**

II-A-18 Segregation of Duties

Criteria – Management is responsible for establishing and maintaining internal control. A good system of internal control provides for adequate segregation of duties so no one individual handles a transaction from its inception to completion. In order to maintain proper internal control, duties should be segregated so the authorization, custody and recording of transactions are not under the control of the same employee. This segregation of duties helps prevent losses from employee error or dishonesty and maximizes the accuracy of the City’s financial statements.

Condition – Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Investments – recordkeeping, investing and reconciling earnings.
- (3) Long-term debt – recordkeeping, compliance and debt payment processing.
- (4) Receipts – collecting, preparing deposits and reconciling. In addition, the mail is not opened and distributed by someone other than accounting personnel and an initial listing of receipts is not prepared by the mail opener.
- (6) Receipts for Parks and Recreation – collecting, depositing and reconciling.

For the Friends of Adel Library Foundation (Library Foundation), one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

For the Fire Association, one individual has control over each of the following areas:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – collecting, depositing, posting and reconciling.
- (3) Disbursements – preparing, recording and reconciling.

Cause – The City, Library Foundation and Fire Association have a limited number of employees and procedures have not been designed to adequately segregate duties or provide compensating controls through additional oversight of transactions and processes.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

Effect – Inadequate segregation of duties could adversely affect the City's, Library Foundation's and Fire Association's ability to prevent or detect and correct misstatements, errors or misappropriation on a timely basis by employees in the normal course of performing their assigned functions.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City, the Library Foundation and the Fire Association should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – The City will continually explore ways to further achieve segregation of duties with limited staff. We recognize the importance of this issue.

Conclusion – Response accepted.

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part III: Findings and Questioned Costs For Federal Awards:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCY:**

No material weaknesses in internal control over the major program were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-18 Certified Budget – Disbursements during the year ended June 30, 2018 exceeded the amount budgeted in the debt service function. In addition, disbursements in the general government, capital projects and business type activities functions exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The City will work with Tyler Technologies (Incode), its accounting and financial software vendor, to create an export file for the State budget form to allow for better monitoring.

Conclusion – Response accepted.

IV-B-18 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-18 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-18 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Doug Cook, Public Works Employee, Owner of Cooks Construction	Caterpillar rental	\$ 1,440

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transaction with Cooks Construction does not appear to represent a conflict of interest since the total transaction was less than \$1,500 during the fiscal year.

IV-E-18 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-18 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

IV-G-18 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

City of Adel

Schedule of Findings and Questioned Costs

Year ended June 30, 2018

- IV-H-18 Revenue Notes – No instances of non-compliance with the revenue note requirements for the year ended June 30, 2018 were noted.
- IV-I-18 Annual Urban Renewal Report – No instances of non-compliance with the Annual Urban Renewal Report requirements for the year ended June 30, 2018 were noted.
- IV-J-18 Financial Condition – The Internal Service, Flex Benefits Fund had a deficit balance of \$5,868 at June 30, 2018.

Recommendation – The City should investigate alternatives to eliminate this deficit to return this fund to a sound financial position.

Response – The City will investigate the cause of this deficit and take appropriate action to eliminate it.

Conclusion – Response accepted.




City of Adel

Staff

This audit was performed by:

Jennifer L. Wall, CPA, Manager  
Tiffany M. Ainger, CPA, Senior Auditor II  
Christopher M. Anderson, Staff Auditor  
Mark D. Newhall, Staff Auditor  
Kile J. Bean, Assistant Auditor  
Molly N. Kalkwarf, Assistant Auditor

A handwritten signature in cursive script that reads "Andrew E. Nielsen". The signature is written in black ink and is positioned above the printed name and title.

Andrew E. Nielsen, CPA  
Deputy Auditor of State